

Statement by Senator Conrad Burns
Commerce, Science, and Transportation Hearing on Tobacco
Settlement -- Impact on Retailers
March 19, 1998

Thank you Mr. Chairman, thank you once again for holding these hearings on such an important issue that impacts our youth as well as our economy.

During the 105th Congress, we've heard from witnesses on a number of issues ranging from health concerns to economic concerns. We are certainly aware of the broad economic interests involved in the Attorney's General tobacco settlement. We have also seen the settlement's short-comings as well as it's benefits to our society and, most importantly, to our children.

Throughout these hearings, I have asked witnesses if the restrictions placed on advertising and the price increases will really have the proposed impact on youth usage of tobacco products. How can Congress threaten thousands of jobs and place such financial burdens on manufacturing, wholesaling, and retailing employers if we are not assured of results. That is what I want out of this settlement -- results. I want to ensure that youth usage of tobacco products declines as a result of our efforts.

Today, we are here to talk about the impact of the tobacco settlement on our nations' retailers. On average, tobacco products make up over a quarter of a retailer's sales. These retailers include national giants like the Seven Eleven chain as well as small Mom and Pops like Eddie's Corner convenience store near Lewistown, Montana. A revenue loss for these non-franchise stores, of which we have many in Montana, could prove to be devastating.

Retailers have taken steps to eliminate youth tobacco sales by treating tobacco sales as they do alcohol sales. If you don't have an ID indicating you are of adult age, you don't buy tobacco products. Retailers have been held accountable for their sales of tobacco products. Our kids and parents have not. Financial penalties on kids may not deter them from attempting to purchase tobacco products, but threaten to take away their driver's license if caught using tobacco products and I'll bet they'll think twice.

Convenience stores also rely on the income received from tobacco companies to display their products. Display restrictions could prove to be a marketing nightmare for some of the lesser known products in this industry. By requiring convenience stores to hide tobacco products behind the counter, we are signing a death warrant for lesser-known tobacco companies. It would be easy to see how the 250 plus products adult tobacco users have to choose from today could be decreased to less than 20 in a matter of a few years.

Micro-tobacco companies stand to lose as well. In Keysville,

Virginia, S&M Brands, an up-start inclusive tobacco grower, producer, manufacturer, and wholesaler started business in 1994 selling Bailey's cigarettes to a niche market in the Southeast U.S. S&M Brands employs fewer than 20 Americans and provides a product, Bailey's cigarettes, that has enjoyed a successful market life among adult smokers.

If proposals on restricting displays in convenience stores are implemented, this company and many others like it nationwide will lose market share and eventually be forced to close their doors to employees and customers alike.

Mr. Chairman, we have discussed the reasons why our kids start smoking or chewing tobacco. Realistically, we need to continue to ask ourselves whether magazine and outdoor advertising is the reason kids start smoking or chewing tobacco. We need to find out if restricting these ads will put a dent into youth usage of tobacco. I am still concerned that the pack of cigarettes or can of snuff on a kid's mom or dad's dresser is where kids get their first shot at tobacco.

We also know that every school in America has a smoker's alley or place to meet behind the building for a smoke. Peer pressure is a considerable factor among our children -- that is something we cannot deny.

The tobacco settlement is not an opportunity to gang up on the tobacco industry. We are not out to "kill" the tobacco companies and the jobs they provide. Our mission should be to supplement the educational programs already implemented by tobacco companies.

There are still many adult tobacco users out there who enjoy their product and are aware of the dangers of tobacco usage. The federal government is not here to hold the hand of these tobacco users -- we're not here to determine what the people of this country can or cannot do.

We are here to ensure that an agreed upon tobacco settlement from the states remains intact.

Thank you, Mr. Chairman.